



223F Inspection Reports:

Key things for a lender to look for:

July 12, 1999

Make a familiarization visit to the site. Look for the following items on the site, and make sure they are addressed in the final report:

1. Site drainage: Any situations where grade slopes TOWARD the buildings? These must be corrected.
2. Wood-earth contact: Earth must be at least 6" away from any siding (including vinyl or stucco) and any non-treated or non-decay resistant wood.
3. Flat roofs: Are there any significant areas of ponding? If more than 15% of the roof area is subject to ponds which remain more than 24 hours after rainfall under normal winter (overcast) conditions, the roof slope and drainage must be corrected.
4. Decks: Do membrane-type decks have a durable membrane in good condition with proper drainage and waterproofing which continues up the wall at least three inches? Are spaced wood decks constructed with pressure-treated (lots of pin-pricks cut into the wood) joists? If not, they are likely to rot off and it will be necessary to keep the wood well painted and make sure that dirt is not allowed to build up in the cracks. Decks with leaks, deteriorated membranes, or deteriorated framing must be corrected.
5. Are there any soft spots in the flooring behind the bathroom toilets, between the toilet and bath tub, and by the tail end of the bath tub? These must be corrected.
6. Is there mildew build-up in the bathrooms, or around window sills, or in corners of rooms? If so, then the bath fans must be wired to go on any time the bathroom light is on.
7. Are there any water stains on ceilings or walls? What caused them? Pay special attention to common areas.
8. Does the project have galvanized water piping? What is the condition? Will the Replacement Reserve be sufficiently funded to pay for future pipe replacement, without overly depleting the Reserve, or should a separate Reserve be established, and funded annually, to pay for future repair needs? If there is any question, sufficient test cuts must be made for evaluation. Some properties built in the late '60's and early '70's have proven particularly vulnerable.
9. What is the condition of the exterior finishes? Is there any evidence of failure in processed wood siding? If the building is constructed with EIFS (synthetic stucco), is there any evidence of water infiltration? Are the joints between the stucco and the windows properly sealed?

10. Are there holes or tears in the vinyl flooring?
11. Is the lighting in the corridors and exterior areas adequate?
12. Do all units have smoke detectors which work? Any non-functioning smoke detectors must be critical repairs.
13. Is there failed asphalt in the parking lots? This must be corrected. Are there trip hazards on the walkways? These must be Critical Repairs.
14. Is the landscaping overgrown? Maintain a clear sight line for surveillance between three feet and seven feet.
15. Was the project built before 1978? Lead based paint testing is required.
16. Was the project first occupied after March 13,1991 or permitted after June 15,1990? Federal Fair Housing Accessibility Standards may apply. Was project built in compliance?
17. Projects built before 1990 may not meet the required seismic standards. A letter from an engineer regarding the buildings' seismic design will be required. If the buildings fall into certain categories of construction type, the Washington State HUD office may allow an exemption from this requirement.
18. What kind of condition is the project in? If it is in relatively good condition, the Washington State HUD office may allow a lower inspection rate than prescribed by the handbook.

The 223F repair inspection report should address all of these items. If it does not, require further detail from the inspector.



Credentials for Multifamily "Fast Track" Inspectors and Plan Reviewers

Required Credentials for 223(f) Inspectors:

A. Firm Type, Disciplines And Organization

The firm shall have experience in conducting comprehensive building and grounds inspections, identifying the necessary work items to place properties in good condition, and estimating the cost of the work items (e.g., architectural, and/or building inspection and cost estimating services firms). Either a single firm or an affiliated group of firms is acceptable as long as they represent all the essential disciplines necessary to perform the required work. The Contractor team should include someone regularly engaged in performing pre-purchase real estate and building inspections for apartment owners, lenders, insurance companies and real estate professionals, and someone who normally prepares cost estimates for rehabilitation construction projects.

B. Personnel, Experience And Qualifications

The firm must have performed a minimum of ten (10) comprehensive building inspections which included structural, mechanical, electrical, interior and exterior building components and systems, and handicap accessibility. The experience of the individual members is of more importance than the firm's experience. In addition the firm must have performed more than five (5) construction cost estimates on rehabilitation projects. Project experience in the project's geographic location or in a similar climate is an advantage, but not a necessity.

Inspectors shall submit copies of construction inspection reports and cost estimates completed within the last five years, as evidence of inspection and cost estimating experience.

Listed **below are** the minimum qualifications for technical staff. Experience in one or a combination **of** the following **types of** activities:

1. Building Inspection

- a. Registered or have a degree in architecture or engineering; **or**
- b. Have at least 6 years experience in architectural and engineering analysis of buildings, with at least 2 years in multifamily buildings; and at least 3 years demonstrated experience in working with and knowledge of building codes and related codes and ordinances, costs, construction practices and requirements for the applicable geographic areas.

2. Cost Estimation

- a. Must have 3 years experience in general construction cost estimating plus 2 years in the multifamily area, or
 - b. Have at least 6 years experience in architectural and engineering analysis of buildings, with at least 2 years in multifamily buildings. This includes design review and construction inspection.
3. E-mail

Maintain an e-mail address to improve communication and provide for future use of electronic/paperless processing.

Recommended Credentials for New Construction Plan Reviewers:

A. Demonstrated Experience And Competence

Demonstrated experience and competence of the firm and proposed individual key personnel who will perform work, including individual inspectors) in building design and specifications and construction inspection. AJI inspectors) **shall** have a minimum of **6** years experience in building design, construction, or inspection, including a minimum of 2 years experience with low-rise, wood frame, concrete, new multifamily and care type construction (especially for 232). Evidence of design experience may be the names of previous projects and their owners.

Inspectors staff submit copies of construction inspection reports completed within the last five years, as evidence of inspection experience.

B. Demonstrated Familiarity And Experience

Demonstrated familiarity and experience with local codes, local soils, local weather conditions, requirements and practices in the project's geographic area, in the form of completed inspection reports, training certificates, resumes, etc.

C. Demonstrated experience and familiarity with coordinating

Demonstrated experience and familiarity with coordinating architectural, civil, mechanical, electrical, landscape, structural, geotech (soils), fire protection, etc., aspects of contract drawings and specifications. Evidence of ability to perform constructability reviews shall be a minimum of 6 years experience in building design, construction, or inspection, including a minimum of 2 years experience with low-rise, wood frame, concrete, new multifamily and care type construction (especially for 232).

D. Maintain An E-mail Address

Maintain an e-mail address to improve communication and provide for future use of electronic/paperless processing.



STATEMENT OF WORK
223(f) and 232 Pursuant to 223(f)
INSPECTION AND REPORT
(Revised November 4, 1999)

Note regarding Fast Track submissions:

When this Statement of Work is used for Fast Track submissions, the following modifications shall be made:

- The term "Contractor" used in this document shall refer to the Fast Track inspector.
- The term Government Technical Representative shall refer to the inspector's contact person with the lender.
- Where the Statement of Work refers to coordination with the HUD Appraiser, this coordination shall take place with lender's Fast Track Appraiser.
- The time frames noted in this Statement of Work may be superseded by any other time frames agreed upon between the inspector and the lender.
- The federal procurement and payment procedures mentioned in the Statement of Work do not apply to Fast Track submissions performed under contract to the lender.

I. GENERAL DESCRIPTION OF WORK

A. Project Identification.

Project Name:
Project No.:
Street Address:
Location:
Type of Facility:
No. of Dwelling Units:
Type of Project:
Structure Type(s):
Number of Primary Buildings:
Number and Type of Accessory Buildings:
Foundation System:
Structural System:
HVAC Systems:
Private Utility Systems:
Off-site Work:
Project Owner:

B. General Requirements.

1. The contractor shall furnish all necessary professional and technical personnel, clerical services, materials, equipment and facilities (including the cost of phone calls, postage, etc.), and perform all travel (including the cost of travel to and from the sites) in accordance with this statement of work and with criteria and requirements furnished by the Government Technical Representative (GTR).
2. The contractor shall correct all errors, inconsistencies or omissions in the report and cost estimate as required by HUD, even if the period of service specified herein has expired.
3. The Contractor shall:
 - a. Inspect the subject project to determine whether or not the project and the sponsor's proposed repairs, if any, meet all of the applicable HUD/FHA requirements
 - b. Evaluate the type and cost of repairs and replacements necessary to assure an acceptable project.
 - c. Calculate an initial deposit to the reserve fund for replacement
 - d. Determine the acceptability of the existing structure's architecture, construction and cost-of-repairs relative to the mortgage risk to HUD as an insurer.
 - e. Submit to HUD a report containing the Contractor's findings, analysis and conclusions. A sample form of report is attached as a guide in the preparation of the required report. The sample form of report contains all of the areas of concern that shall be addressed by the Contractor and should be followed if possible.
4. HUD requires the Contractor to perform a professional analysis of the project from an architectural and construction perspective. Nevertheless, the Contractor may draw upon his/her experience in other areas and may make recommendations that fall outside of the realm of architecture and construction per se (e.g., recommendation to add washer/dryer hook-ups to add to the marketability of a project). The Contractor shall clearly identify these as recommendations (i.e., not as requirements).
5. **Coordination with HUD appraiser.** The Contractor shall coordinate with HUD's appraiser for the purpose of communicating and discussing the Contractor's findings under this contract. The Contractor shall provide the appraiser with a signed copy of the completed form HUD-92264 and area calculations. NOTE: The appraiser may be a HUD employee or under separate contract to HUD to appraise the property inspected under this contract. The Contractor shall be responsible for obtaining the name and other relevant information about the appraiser from the GTR.

II. DEFINITIONS. The following definitions shall apply to this contract:

- A. Contractor is the recipient of this contract, specifically, a person or firm contracted to perform the required services.
- B. Government Technical Representative (GTR) is the HUD Field Office staff person identified on the face page of the purchase order. The GTR is the Contractor's principal point of contact within HUD. The GTR will provide technical clarification, assistance and direction in the performance of the required work.
- C. HUD is the U.S. Department of Housing and Urban Development.

- D. Manager is the on-site manager of the property.
- E. Owner is the mortgagor or trustee who has submitted an application to HUD for insurance under Section 223(f) of the Housing Act. The term includes any duly authorized representative of the owner.

III. HANDBOOKS AND GUIDANCE.

- A. The Contractor shall perform the required work in accordance with the HUD Handbooks and materials referenced below and this contract for the particular project and program. The Contractor is responsible for familiarizing him/herself with this guidance. The following handbooks and HUD guidance apply to this Contract:
 - 1. Notice H 85-32 (HUD), "Repair escrow, Section 223(f) transactions."
 - 2. Sample Inspection Report format in Exhibit 1 to this statement of work.
 - 3. HUD Handbook 4565.1, "Mortgage Insurance for the Purchase or Refinance of Existing Multifamily Housing Projects, Section 223(f)."
 - 4. 24 CFR Part 100, "Fair Housing Accessibility Guidelines (FHAG)"
 - 5. HUD Handbook 4910.1, "Minimum Property Standards for Housing"
- B. The Contractor shall obtain and maintain its own copies of such guidance. HUD Handbooks and Notices may be obtained directly from HUD in Washington, DC by:
 - 1. Telephone - **(800) 767-7468**;
 - 2. Facsimile - **(202) 708-2313**; or
 - 3. Written request -

**U.S. Department of Housing and Urban Development
Attention: Printing Branch, Room B-100
451 7th Street, SW
Washington, DC 20410**

(NOTE: HUD Field Offices will **not** provide copies of Handbooks or Notices. The relevant handbooks and other instructions will be available for review **only** within the cognizant HUD Field Office. The Contractor is advised to obtain all required material and maintain it in the event the Contractor is awarded contracts for similar work in the future.)

- C. The Cognizant Field Office for this contract shall provide the Contractor with copies of any other necessary informal guidance and applicable supporting documentation.
- D. All of the Handbooks and regulatory citations described in this contract are subject to revision. HUD shall, to the maximum extent possible, provide the Contractor with changes to Handbooks, regulations, statutes, and other guidance. However, it shall be the Contractor's responsibility to ensure all inspections are conducted according to current HUD standards.

- E. The Contractor has a duty to inquire whenever the Contractor believes that the guidance it is currently using has been superseded. The Contractor shall obtain copies of new guidance whenever the Contractor knows of its existence. The Contractor shall be presumed to know of the existence and the content of published regulation or law, including any changes thereto.

IV. SPECIFIC REQUIREMENTS.

- A. **Review of application exhibits.** Prior to the on-site inspection, the GTR will provide the Contractor with copies of the available application exhibits, including special reports and data on the project. The Contractor shall review the application exhibits and notify the Field Office GTR within 48 hours of receipt of any deficiencies or additional information required. Exhibits may include:
1. HUD Form 92013 (Application for mortgage insurance)
 2. A current as-built survey of the site showing the location of all the improvements on the site
 3. A surveyor's report Form HUD-92457
 4. Legal description of the property
 5. Location map
 6. Plans and specifications
 7. Soils report
 8. Owner's repair list and cost breakdown
 9. Code inspection reports
- B. **Inspections.** Within **15** calendar days of the GTR's notice to proceed, the Contractor shall complete a visual survey of individual units and the project in general to ascertain any repairs and replacements necessary to place the property in eligible condition. The Contractor shall make all necessary arrangements with the owner or project manager to inspect the project.
1. **Dwelling units.**
 - a. The Contractor shall:
 - (1) Specifically identify the location of each such repair or replacement and its respective cost.
 - (2) Identify those repair or replacement items that can be categorized as deferred maintenance or normal rent-ready type work items
 - (2) Note the useful life of the major capital improvement items within each unit to be able to calculate the initial deposit to the reserve fund for replacements.
 - (4) Determine the remaining useful life of equipment, mechanical features, appliances, carpeting, resilient floor tiling and window coverings in the units of projects that are more than 5 years old. (NOTE: For properties 5 years old or less the initial deposit to the reserve fund will be the amount of annual deposit to replacement reserves (cost of structures x .006).)
 - b. The Contractor shall inspect **35 percent** of all units and a minimum of 4 of each unit type. Where there are less than 4 units of a type, the Contractor shall inspect all units of the type.

- c. If the Contractor believes that inspection of additional units is needed to develop an appropriate work write-up (e.g., in the case of evidence of unusually hard use or accelerated deterioration of the property), the Contractor shall immediately notify the GTR. The Contractor shall not proceed to inspect additional units without authorization from the GTR.

2. **Common Areas.** The Contractor shall inspect:

- a. All of the building exteriors and common areas.
- b. All roofs, mechanical equipment, drainage systems, walks and drives, attics and crawl spaces, and visible portions of the foundation and utility systems.
- c. All collateral support buildings.

3. **Compliance with other HUD requirements.** The project must comply with certain statutory and regulatory requirements of HUD. The Contractor shall determine compliance in the following areas, and comment in report on the following:

- a. Lead-Based Paint. For projects built prior to 1978, HUD will require that the project be tested for the presence of lead-based paints. The Contractor is **not** responsible for providing such testing under this contract. The Contractor shall identify areas where paint is cracking, scaling, chipping or loose and areas where the Contractor has reason to believe lead-based paint may be present.

The HUD Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing, June 1995 (

- b. High pressure gas and liquid petroleum transmission. No part of any residential structure shall be located less than ten (10) feet from the outer boundary of the pipeline easement for high pressure gas and liquid petroleum transmission lines.
- c. Smoke detectors. Every dwelling unit shall be supplied with a smoke detector in an appropriate location. The Contractor shall verify that the smoke detectors are operational. If the smoke detectors are not in every dwelling unit, the installation and cost of the smoke detectors shall be listed as a critical repair item.
- d. Standards. Eligible properties are existing construction. The criteria for acceptance are not the same as for proposed construction. The objective is to assure an acceptable risk through only necessary repair requirements. The Minimum Property Standards apply in the following manner:
 - (1) Chapter 2, General Acceptability Criteria shall be met with the exception of the requirement for a primary entrance readily accessible to the physically handicapped.
 - (2) Other Chapters. The property shall comply with the general intent of all other chapters of the MPS.
 - (3) Commercial Areas. Commercial areas shall not exceed 20 percent of the total net rentable area of the project. Commercial income shall not exceed 25 percent of the estimated total gross project income.

- e. Fair Housing Accessibility Guidelines. The Fair Housing Accessibility Guidelines are applicable for projects with first occupancy after March 13, 1991 and for which building permits were issued or reissued after June 15, 1990 on a building by building basis.
- f. Galvanized Pipe. For all projects that contain galvanized pipe, HUD will require testing for pipe condition. A special engineering report shall identify the condition of the pipe and solutions to any significant deterioration discovered. The report shall include the results of destructive testing taken from original pipe located adjacent to the water heater, and the results from a chemical water test to determine pH and other corrosive properties. The Contractor is not responsible for providing such testing, but shall verify the existence or non-existence of galvanized pipe, as well as identify project conditions that may be related to galvanized pipe deterioration or failure.

C. **Review of owner's repair list.** The Contractor shall review and verify the owner's repair list, appropriately identifying the required repairs or optional items. The Contractor may obtain additional information from the owner, the owner's manager, or other authorized representative of the owner relating to capital improvements previously performed on the project in order to aid the Contractor in determining the useful life of the major capital items. For example, a project is 15 years old. Management states that the roof was replaced 3 years ago. Visual inspection of the roof indicates that the roof is in good condition. The calculation of the initial deposit to the reserve for replacement would then be 20% of the cost of replacing the roof.

D. **Inspection Report.** The Contractor shall submit a report that includes:

1. **Work write-up.** The Contractor shall verify that the owner's repair lists are adequate to meet HUD's requirements and/or prepare a list of any additional repairs necessary to bring the project into compliance. The Contractor shall separate the list of required work items, both General Requirements and Special Requirements, into two additional categories: critical repairs and non-critical repairs (see also Exhibit 1). These repair or replacement lists shall be as specific as possible. For example, a statement such as, "repair or replace air-conditioner" is inadequate and unacceptable. A specific statement such as "replace air-conditioner" or "repair compressor of the air conditioner" is acceptable. Include a cost estimate for each repair or replacement item.
2. **Critical repairs or replacements** include, but are not limited to: repairs to correct items that affect life, health and safety or are a hazard to the occupants (e.g., installation of smoke detectors), compliance with local code violations, and repairs/replacements that are crucial to HUD's evaluation of the insurability of the project. The owner must complete critical repairs prior to loan closing. The Contractor shall list critical repairs separately as "General" and "Specific" (see paragraphs 6 and 7 below and Exhibit 1).
3. **Non-critical repairs or replacements** are the remaining work write-up items identified by the Contractor that do not fall into the category of critical repair items. The Contractor shall clearly identify those items that duplicate the work items identified by the owner. For each such duplicate item, the Contractor shall clearly state whether or not the Contractor accepts the owner's cost estimate as accurate. If the Contractor does not accept the owner's cost estimate, then the Contractor shall show both his/her estimate and the owner's estimate for the affected items. The Contractor shall list non-critical repairs separately as "General" and "Specific" (see paragraphs 6 and 7 below and Exhibit 1).

4. **Special tests and reports.** After inspecting the project, the Contractor shall recommend to the GTR those additional specialized tests and/or analyses (e.g., structural, mechanical, seismic, termite, etc.), if any, that the Contractor determines to be necessary.
5. **Specifications and drawings.** The Contractor shall clearly indicate those required repairs for which the owner must submit drawings and/or specifications to HUD for review and acceptance prior to loan closing.
 - a. Preparation of the specifications and drawings is the sole responsibility of the sponsor. His/her employment of professional consultants does not require the use of HUD contract forms, professional liability insurance, nor HUD involvement in fees.
 - b. The Contractor shall review and comment on any specifications and drawings provided as part of the owner's repair list with regard to their appropriateness and adequacy to accomplish the required repairs.
 - c. The Contractor shall also clearly indicate those repairs or replacement items which will require the submission of plans and/or specifications drawn/designed by an architect or engineer.
6. **General repairs or replacements** include work applicable to all elements in the project. Examples: "Repaint the exteriors of all buildings -- 5 buildings x \$2500/building = \$12,500." "Install new drapes in all dwelling units -- \$100.00/D.U. x 50 D.U. = \$5,000."
7. **Special repairs or replacements** include work applicable to specific areas in the project. This work can be exterior or within specific dwelling units as determined from the individual dwelling unit inspections. Examples: "Remove 500 square feet of deteriorated paving on the east side of building A and repave -- 500 s.f. x \$2.00/s.f. = \$1,000." "Replace refrigerators in units 101, 103, 202, 312, 323, 212, and 313 -- 7 @ \$400.00 each = \$2,800".
8. **Substantial rehabilitation.** If the estimate of the cost of required repairs exceeds the higher of 15% of the final estimate of value of the project after repairs or \$6,500 per unit; or if the required repairs involve the replacement of more than one major building component; or if the property is in a substandard or deteriorating condition, the property may not qualify for the 223(f) program. Rather, the property would be in need of substantial rehabilitation. The Contractor shall clearly indicate in his/her report whether or not the required repairs, or other conditions, constitute substantial rehabilitation.
9. **Unit inspection write-up.** The Contractor shall prepare a unit-by-unit work write-up of the inspected units. This work write-up shall be the basis for the development of the special repairs or replacement list. As stated before, normal deferred maintenance items and normal items done to make units rent ready should not be included in the repair list, but if the Contractor finds that these conditions are pervasive in the units inspected, he should consider including those items on the list of general or special repairs.
10. **Verify the Net Rentable Residential Area of Units inspected.** The Contractor shall complete the heading for stage of processing and project name, plus blocks A1, 2, 3, 5, 6, 7, 8, 9, 9a, 10, 11, 12, 13, 13a, 14, 16, 16a, 17, 17a, 17b, and 18, B25 & 26, C27, 29, 30, 33, 34 and 35, D37, 38 and Section O remarks, signature and date of form HUD-92264.
11. **Liabilities.** The Contractor shall identify and describe all on-site and off-site existing liabilities.

12. **Photographs.** The Contractor shall provide a photographic record of the project. The photographs shall depict the general condition of the project including the site improvement and typical interior units. The Contractor shall include photographs of major repair items clearly depicting the nature and scope of the required repairs. Photographs shall be mounted and identified with written description and location of each. Photographs shall be at least 4"x6" in size.
13. **Calculation of the Initial Deposit to the Reserve Fund for replacement.**
- a. The 223(f) program requires the establishment of a reserve fund for replacement of major capital improvements during the course of the loan (see the list of components in the sample inspection report package with an estimate of remaining useful life of the component). The owner is required to deposit a calculated amount each month into the reserve fund throughout the life of the mortgage. If the project is new, the reserve fund would be \$0.00 which assumes that each of the components has its full useful life and replacement would not be required until after the reserve fund has been built up. The calculation of the initial deposit to the reserve fund for replacement for these existing projects is an attempt to establish a reserve fund that would have been available if monthly deposits were collected from the initial occupancy of the project.
 - b. The list of items in the sample form for initial deposit to the reserve fund for replacements which is included in the sample inspection report package (see Exhibit 1) may be expanded to cover items peculiar to the inspected project or to cover items identified by the Contractor which will require work in the near future. The "EstimatedEconomic Life" for each item is based upon average or normal life of these components and unless the architect/cost analyst has information otherwise, these figures should be modified.
 - c. The Contractor should be practical in assessing the initial deposit to the reserve fund for replacement. Many of the items listed, if well maintained and repaired, will exceed the "EstimatedEconomic Life". Also, certain items such as ranges and refrigerators can double their useful life with a simple replacement of parts rather than complete replacement. The Contractor should take these factors into account during his analysis.
 - d. In making the calculation, the Contractor shall consider the following factors based upon their inspection of the project (NOTE: column headings, etc. refer to the form in the sample Inspection Report in Exhibit 1):
 - i. Establish a list of items to be the basis of the calculation. **Example:** The Contractor determines that a calculation for domestic hot water heaters is not necessary since all of the hot water heaters were replaced last year and are in excellent condition.
 - ii. Determine the "Estimated Actual Age" of the item. **Example:** The Contractor determines that the ranges have an additional useful life of 5 years even though they are 15 years old. In this case the "Estimated Actual Age" of the ranges should be 10 years (15 years useful life minus 5 years remaining life). The Contractor must use judgment in making such a determination of the reflective age as typically, during the life of the project, the ranges may have been randomly replaced. The individual unit inspections should reflect the average condition of the unit items.

- iii. If, for a particular item, the Contractor determines that the "Estimated Actual Age" of an item falls into more than one category, more than one calculation for initial deposit may be made. **Example:** The Contractor determines that half of the roofs were replaced 3 years ago and the remaining roofs are 10 years old. A calculation should be made for roofing with half the roofing based upon a "Estimated Actual Age" of 3 years and the other half of the roofing based upon "Estimated Actual Age" of 10 years.
- iv. The Contractor shall prepare an estimate for replacement of an item at current costs. The estimate shall be placed in the column labeled "Replacement Cost (salvage)." Salvage value of the item may be used if it is normal in the area to receive this value.
- v. The column labeled "Number of Units" is to be filled with number of items to be considered for this calculation of the initial deposit; the square footage of the item if the estimate of replacement cost is based upon square foot costs; or lump-sum if the estimated replacement costs were based on the entire cost of the item. The Contractor should be particularly careful in determining this number by first analyzing the repair lists prepared by the owner and by the Contractor. **Example:** There are 100 refrigerators in the project. The owner indicates that he intends to replace 25 refrigerators. The Contractor lists 10 additional refrigerators to be replaced. The number of refrigerators to be considered in the initial deposit should be 65.
- vi. The calculation for the initial deposit is as follows
 - a. To derive the "Remaining Useful Life" of each line item, subtract "Estimated Actual Age" from "Estimated Economic Life."
 - b. Rearrange the items in the schedule in ascending order of groups of items in increments of 5-year periods based on the "Remaining Useful Life" of the items. The group whose "Remaining Useful Life" is estimated to expire within the first 5-year period will be listed first.
 - c. Calculate "Initial Deposit" for *each line item* by multiplying "Replacement Cost <Salvage>" by "Cost Adjustment Factor for Time" and then by "Number of Units." **Note:** A 100% replacement cost estimate (less salvage) is required for each line item in the group whose estimated "Remaining Useful Life" is expected to expire within the first 5 years.
 - d. Finally, calculate a subtotal of each 5-year period. **Note:** Evaluation of the 10-year period items shall be made with the help of the Lender/Mortgagee in accordance with HUD Handbook 4460.1 Rev-2, paragraph 5-6 C.5.

E. Clarification and assistance.

- 1. After the completion of the work required and the submission of the Inspection Report, HUD may require the Contractor to provide clarification of, and additional information relative the report (e.g., regarding the repair and initial deposit requirements). HUD may require the Contractor to provide such clarification and information to HUD staff (i.e., the GTR), directly to the owner of the subject project or to a third party (e.g., HUD contract appraiser). The Contractor shall provide the GTR with a copy of any information provided directly to the owner or any third party.

2. The Contractor shall be available and provide clarifications as necessary for **120 days** from the date of submission of the final deliverable.
3. This clarification and assistance shall be at no additional charge by the Contractor.

V. SCHEDULE AND DELIVERABLES

A. Schedule

1. The Contractor shall complete the site inspection not later than **15** calendars days after notice to proceed.
2. The Contractor shall submit:
 - a. Within **20** calendar days of the notice to proceed - **2** copies of the **Draft Inspection Report** including photographs.
 - b. Within **5** calendar days of receipt of draft report review comments from HUD - **1** original **Final Inspection Report** with original photographs and **4** copies of the Final Inspection Report with photocopies of the photographs.

B. HUD Review

1. The GTR shall review the Contractor's submissions and make a determination to accept or reject within the time periods specified below.
 - a. Draft Inspection Report - within **5** working days of receipt.
 - b. Final Inspection Report - within **14** calendar days of receipt. **(See Payment Processing, Prompt Payment and Delivery Acceptance clauses attached.)**
2. The GTR may reject deliverables that do not comply with the terms of this contract and may require the Contractor to submit corrected deliverables within a shortened time period.
3. HUD reserves the right to modify the Contractor's recommendations because a number of other insurance risk factors must also be considered in the final underwriting of the loan.

C. Release of payments for processing. Payment of the Contractor's price shall be authorized upon submission **and** acceptance of the required deliverables by the GTR. **(See Payment Processing, Prompt Payment and Delivery Acceptance clauses below)**

D. Failure to meet deadlines.

1. Failure of the Contractor to meet the processing time requirements discussed herein shall be handled in accordance with Federal Acquisition Regulation clause 52.246-4, Inspection of Services--Fixed Price. Among other remedies, this clause permits the Government to reduce the contract price to reflect the reduced value of services performed, or terminate the contract for default if the Contractor fails to perform in accordance with the contract requirements.

2. If at any time the Contractor is, or anticipates being, unable to complete the required work on time the Contractor shall promptly notify the GTR. Notice shall include: the reason for the delay (e.g., due to incomplete or late delivery of information from HUD or other parties); the Contractor's proposed approach to mitigate effects of the delay; and a new proposed delivery date. Delays caused by factors which are within the Contractor's control shall not be excusable.

Northwest / Alaska Multifamily Housing Hub

Alaska - Idaho - Oregon - Washington
(revised August 2, 1999)

Exhibit 1

INSPECTION REPORT FORM Section 223(f) Program

Project Name: _____

Project Address: _____

HUD Project No.: _____

Prepared By: _____

Signature: _____

Firm Name: _____

Prepared For: HUD * _____ Multifamily Housing Development Branch
[* insert name of HUD office, e.g., Seattle, Portland]

Contract/Purchase Order Number: _____

Date: _____/_____/_____

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

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b. Carpeting/Tile	
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d. Sinks/Lavatories	
e. Cabinets/Counter tops	
f. Fixtures	
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 - a. Laundry Facilities
 - b. Recreational Facilities
 - c. Hallways
 - d. Leasing Office
 - e. Storage Areas
 - f. Commercial Areas
 - g. Handicap Accessibility
 - h. Other

F. Mechanical Systems _____ **6**

- 1. Plumbing/Sewage Flow
- 2. Electrical
- 3. HVAC
- 4. Sprinkler System
- 5. Fire Alarm System
- 6. Domestic Hot Water System
- 7. Pool Equipment
- 8. Utility Meters
- 9. Other

G. Project Eligibility _____ **7**

- 1. Substantial Rehabilitation
- 2. Commercial Area
- 3. Historical Value or Requirements
- 4. Remaining Useful Life
- 5. External or Unusual Noise Problems
- 6. Defective Paint Surfaces/Lead-Based Paint
- 7. High Pressure Gas & Liquid Petroleum Trans
- 8. Smoke Detectors
- 9. Compliance with Building Codes
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- 11. Survey Verification
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Northwest / Alaska Multifamily Housing Hub

Alaska - Idaho - Oregon - Washington

INSPECTOR'S CERTIFICATION

I, _____, hereby certify that in accordance with the terms and
[type or print name]

conditions of contract number _____ :

_____, of my firm, inspected the property located at
[type or print name]

[project name]

[address]

_____ on, _____, 19____.
[city, state & zip]

In accordance with contract specifications, the scope of the 223(f) Building Inspection Statement of Work consisted of an evaluation of the project site, building exteriors, roofs, recreation facilities, interior service and common areas, and _____ of the project's _____ apartments that are situated in _____ buildings.

The inspection was visual in nature and did not include any destructive testing or taking of samples. No detailed analyses or calculations were made to verify the adequacy of any building systems.

Cost estimates used in the report are based on costs experienced on similar projects, costs experienced by the on-site management, and discussions with local Contractors. The costs include state and local taxes.

No identity of interest, as defined in the contract, exists between me or my firm and the sponsor, property owner, principals of the sponsor's, owner's, mortgagor's firms, the property management entity, or any contractors or subcontractors involved in the rehabilitation of this project.

I have discussed my findings with HUD's appraiser and provided him/her with a signed copy of the form HUD-92264 and area calculations on _____, 19____.

Signature

____ / ____ / ____
Date

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

INSPECTION REPORT

I. SCOPE OF INSPECTION

A. Desk Review

Exhibits received and reviewed:		<u>Yes</u>	<u>No</u>
1.	HUD Form-92013	_____	_____
2.	Survey Map	_____	_____
3.	Surveyor's Report (HUD 92457)	_____	_____
4.	Legal Description of the Property	_____	_____
5.	Location Maps	_____	_____
6.	Plans & Specifications	_____	_____
7.	Soils Report	_____	_____
8.	Mortgagor's Repair Cost Breakdown	_____	_____
9.	Local Building Code Compliance	_____	_____
10.	Date of Permits and Date of Occupancy of Each Building	_____	_____
11.	Building :		
	a. Mechanical	_____	_____
	b. Electric	_____	_____
	c. Fire	_____	_____
	d. Other	_____	_____
12.	Owner's Repair List (work write-ups)	_____	_____

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

B. Apartments Inspected

The following apartments were inspected on _____, 19____:

Total Units in Project: _____

	<u>INSPECTED</u>	<u>NOT INSPECTED</u>
<u>Building 1</u> Unit No.'s	_____	_____
<u>Building 2</u> Unit No.'s	_____	_____
<u>Building 3</u> Unit No.'s	_____	_____
<u>Building 4</u> Unit No.'s	_____	_____
<u>Building 5</u> Unit No.'s	_____	_____
<u>Building 6</u> Unit No.'s	_____	_____

Total Units Inspected: _____

Total Units Not Inspected: _____

[Continue on additional sheets as needed. Add totals from all sheets at the bottom of the last sheet.]

C. Code Compliance Requirements [check appropriate boxes]

Attached is:

- “ A copy of the local code(s) Inspector's report(s) (Building, Fire, Electrical, etc.) or
- “ A statement that the local building department did not inspect the units but does not have any record of code violations or file.

My inspection “ did “ did not reveal any features of code non-compliance. (Special Engineering Reports are recommended. Refer to Section IV, Special Engineering Reports/Studies below.)

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

(SAMPLE INSPECTION REPORT)

The Fire Inspector's report is not yet available. It will be provided as soon as possible. In conversation with the inspector, he provided the following information on the likely content of his report:

1. Some of the new hard-wired smoke detectors were not located according to code when installed in August. These will need to be relocated. Because this would be considered a Contractor's error, there should be no cost incurred to the owner for this correction.
2. There should be fire extinguishers available within 75 feet of the buildings. The inspector noted that the owner has attempted compliance in the past but continued theft of the fire extinguishers is an ongoing problem. Estimate of cost of compliance: \$600
3. Trim back shrubs to allow access to electrical panels. Estimate of cost of compliance: \$50
4. The inspector noted that there is a pre-existing condition which would be a "safety hazard" under current code requirements - that being the location of electrical outlets over some of the electric baseboard heaters. Because of the inspector's concern, we will require that these outlets be eliminated. Estimate of cost of compliance: \$750

TOTAL: \$1400

II. PROPERTY CONDITIONS

- A. General Description
- B. Pertinent Off-Site Conditions
- C. Site Construction
 1. Soils Conditions
 2. Drainage/Topography
 3. Parking/Surfaced Areas
 4. Landscaping

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

5. Fencing & Miscellaneous Site Construction
6. Handicap Accessibility
7. Other

D. Building Construction

1. Structural System
2. Building Siding & Exterior Walls
3. Roof System
4. Balconies/Patios
5. Stairs & Guard Rails
6. Floor Systems
7. Elevators
8. Handicap Accessibility
9. Other

E. Condition of Building Interiors & Units

1. Unit Design & Market Compatibility
2. Floor Plan Square Footage (Field verify typical units net rentable square foot area, report findings)
3. Interior
 - a. Appliances
 - b. Carpeting/Tile
 - c. Windows/Doors
 - d. Sinks/Lavatories
 - e. Cabinets/Counter tops

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

- f. Fixtures
 - g. Other
- 4. Walls & Ceilings
- 5. Handicap Accessibility
- 6. Common Areas
 - a. Laundry Facilities
 - b. Recreational Facilities
 - c. Hallways
 - d. Leasing Office
 - e. Storage Areas
 - f. Commercial Areas
 - g. Handicap Accessibility
 - h. Other

F. Mechanical Systems

- 1. Plumbing/Sewage Flow
- 2. Electrical
- 3. HVAC
- 4. Sprinkler Systems
- 5. Fire Alarm System
- 6. Domestic Hot Water System
- 7. Pool Equipment
- 8. Utility Meters
- 9. Other

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

G. Project Eligibility

1. Substantial Rehabilitation
2. Commercial Area
3. Historical Value or Requirements
4. Remaining Useful Life
5. External or Unusual Noise Problems
6. Defective Paint Surfaces/Lead-Based Paint
7. High Pressure Gas & Liquid Petroleum Transmission
8. Smoke Detectors
9. Compliance with Building Codes
10. Compliance with FHAG
11. Survey Verification
12. Wood Destroying
13. Galvanized Pipe
14. Supplemental Comments & Recommendations

III. SUMMARY AND CONCLUSIONS [*continue on additional sheets as needed*]

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

IV. SPECIAL ENGINEERING REPORTS/STUDIES *[list]*

V. CRITICAL REPAIR LIST.

ALL REPAIRS OR ALTERATIONS MUST MEET THE SPECIFIC REQUIREMENTS CONTAINED IN CHAPTERS 5 AND 6 OF HUD's MINIMUM PROPERTY STANDARDS.

	<u>Description of Condition, Locations(s), & Nature of Repair</u>	<u>Repair Costs: Labor</u>	<u>Material Total</u>
<u>Interior Repairs</u>			
General:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Specific: _____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Subtotal Interior Repairs:			\$ _____

<u>Exterior Repairs</u>			
General:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Specific: _____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Subtotal Exterior Repairs:			\$ _____
TOTAL CRITICAL REPAIR:			\$ _____

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

VI. NON-CRITICAL REPAIR LIST

ALL REPAIRS OR ALTERATIONS MUST MEET THE SPECIFIC REQUIREMENTS CONTAINED IN CHAPTERS 5 AND 6 OF HUD'S MINIMUM PROPERTY STANDARDS.

	<u>Description of Condition, Locations(s), & Nature of Repair</u>	<u>Repair Costs: Labor</u>	<u>Material Total</u>
<u>Interior Repairs</u>			
General:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Specific:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Subtotal Interior Repairs:		\$	_____

<u>Exterior Repairs</u>			
General:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Specific:	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Subtotal Exterior Repairs:		\$	_____
TOTAL NON-CRITICAL REPAIRS:		\$	_____

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

VII. TOTAL REPAIR COST

	<u>Labor</u>	<u>Material</u>	<u>Subtotal</u>
Total Critical Repair Costs:	_____	_____	_____
Total Non-Critical Repair Costs:	_____	_____	_____
TOTAL REPAIR COSTS:	_____	_____	_____

(**NOTE:** All repair costs include applicable State and local taxes.)

VIII. OWNER'S PROPOSED WORK WRITE-UP PLAN/REPAIR LIST

223(f) Building Inspection**Project Number :** _____**Project Name :** _____**Location :** _____**IX. INITIAL DEPOSIT TO THE RESERVE FUND FOR REPLACEMENTS**

The following is a list of typical short-lived building components and equipment to be used by the Contractor in calculating the "physical take off" method for Replacement Reserve amounts required by the 223(f) and 232 / 223(f) program. (Reference: 4460.1 REV. 2, paragraph 5-6 C.

Item	Estimated Economic Life	Estimated Actual Age	Remaining Useful Life	Replacement Cost < Salvage>	Cost Adjustment Factor for Time	Number of Units	Initial Deposit for Each Line Item
Ranges (Residential Units)	15						
Ranges (Commercial)	20						
Refrigerators (Residential Units)	15						
Refrigerators (Commercial)	20						
Disposals	10						
Dishwashers (Residential Units)	10						
Dishwashers (Commercial)	20						
Washers (Res. Units)	15						
Dryers (Res. Units)	15						
Domestic Hot Water - Individual	15						
Furnaces / EBB Heaters	15						
Vent Fans	15						
Shades	5						
Drapes	5						
Carpeting	10						
Vinyl Flooring	15						
Roofing	15						
Other							

SUBTOTAL (0-5 YEAR LINE ITEMS) - \$ _____

SUBTOTAL (6-10 YEAR LINE ITEMS) - \$ _____

TOTAL INITIAL DEPOSIT - \$ _____

223(f) Building Inspection
Project Number : _____
Project Name : _____
Location : _____

X. OTHER RECOMMENDATIONS

XI. PHOTOGRAPHS [*on attached sheets*]

XII. FORM HUD-92264 WITH SUPPORTING AREA/QUANTITY CALCULATIONS
[attach all supporting documentation]

- | | | |
|---|-----------------------------------|-----------------------------|
| A. Copies of Special Engineering Reports | <input type="checkbox"/> attached | <input type="checkbox"/> NA |
| | | |
| B. Copies of Other Items Reviewed | <input type="checkbox"/> attached | |
| | | |
| 1. Survey Map and HUD - 92457 Surveyor's Report | <input type="checkbox"/> attached | |
| | | |
| 2. Owner's Repair List | <input type="checkbox"/> attached | <input type="checkbox"/> NA |
| | | |
| 3. Others (list) | | |
| b. _____ | <input type="checkbox"/> attached | |
| c. _____ | <input type="checkbox"/> attached | |
| d. _____ | <input type="checkbox"/> attached | |
| e. _____ | <input type="checkbox"/> attached | |